

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 FEA-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

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TAGS: EFIN, ECON, ENRG, OECD, JA

SUBJECT: IMPACT OF ENERGY SITUATION ON SOME SECTORS JAPANESE
INDUSTRY

REF: STATE 002951

1. SUMMARY: EFFECTS OF GOJ REDUCTION OF OIL AND ELECTRICITY
CONSUMPTION THIS MONTH BY AS MUCH AS 15 PERCENT IS PROJECTED TO
HAVE VARYING DEGREES OF IMPACT ON DIFFERENT SECTORS OF ECONOMY.
BELOW IS COMMENT ON EFFECTS BEING PROJECTED IN METAL, PAPER/PULP,
PETROCHEMICAL AND AUTO INDUSTRIES. END SUMMARY.

2. METALS: THE JAPAN IRON AND STEEL FEDERATION PREDICTS CRUDE
STEEL PRODUCTION FOR FIRST THREE MONTHS 1974 WILL BE 28 MILLION
METRIC TONS, ABOUT NINE PERCENT LESS THAN THE LAST QUARTER 1973
BUT ONLY SLIGHTLY UNDER 28.2 MILLION METRIC TONS PRODUCED FIRST
THREE MONTHS 1973. JAPAN MINING INDUSTRY ASSOCIATION PREDICTS
PRODUCTION OF COPPER, LEAD, AND ZINC WILL DECREASE BY ABOUT 25
PERCENT AND LIGHT METAL SMELTERS ASSOCIATION PROJECT 18 PERCENT
REDUCTION IN PRODUCTION ALUMINUM. THESE REDUCTIONS ARE BEING
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ATTRIBUTED TO CURTAILMENT IN ENERGY SUPPLY BY 15 PERCENT AND

NOT TO ANY SHORTAGE RAW MATERIALS. EMPLOYMENT BEING MAINTAINED AT PRESENT RATE FOR THE PRESENT AND DEMAND FOR PRODUCTS CONTINUES TO EXCEED SUPPLY.

3. PAPER AND PULP: MITI HAS REPORTEDLY ESTABLISHED DIFFERENT RATES OF REDUCTION IN OIL SUPPLY TO PAPER MANUFACTURERS. TOP PRIORITY BEING GIVEN TOILET PAPER, OTHER THIN PAPER, SCHOOL TEXTBOOK AND NOTEBOOK PAPER. NO REDUCTION IN HEAVY OIL SUPPLY PLANNED IN THESE SECTORS BUT OVERALL INDUSTRY REDUCTION WILL BE 7 TO 10 PERCENT. JAPAN PAPER INDUSTRY ASSOCIATION HAS NOT YET MADE ITS PROJECTIONS ON THE EFFECT ON THE INDUSTRY BUT CONFIRMED TO EMBASSY THAT A 25 PERCENT REDUCTION IN OIL SUPPLY IN DECEMBER RESULTED IN A 20 PERCENT REDUCTION IN OVERALL PRODUCTION.

4. PETROCHEMICALS: ASSOCIATION OF PETROCHEMICAL INDUSTRIES AND ONE LEADING PRODUCER (MITSUBISHI PETROCHEMICAL) AGREE PRODUCTION WILL BE CUT OVERALL BY 20 TO 30 PERCENT. ETHYLENE PLANTS WILL OPERATE AT 80 PERCENT CAPACITY, FOR EXAMPLE. CUTBACKS WILL INCREASE COSTS AND ASSOCIATION BELIEVES ULTIMATELY WILL AFFECT DEMAND, BUT NO REDUCTION IN EMPLOYMENT ANTICIPATED. SOME SHIFT TO PRODUCTION OF GOODS WITH HIGHER ADDED VALUE WILL TAKE PLACE AND GOODS RELATED TO GENERAL CONSUMPTION (DETERGENTS) AND EXPORTS (FERTILIZER) WILL BE GIVEN PRODUCTION PRIORITY.

5. AUTO INDUSTRY: NIHON KEIZAI IN JANUARY 6 ARTICLE REPORTED THAT: (A) MANUFACTURERS WERE FORCED TO SHIP CARS WITHOUT SPARE TIRES FROM MID-DECEMBER BECAUSE OF AN EXPECTED 30 PERCENT REDUCTION IN SUPPLY; (B) AUTO INDUSTRY MAY NOT BE SERIOUSLY AFFECTED BY OIL REDUCTION IN JANUARY BECAUSE OF NORMAL DECREASE IN WORKING DAYS THIS MONTH, BUT SERIOUS REPERCUSSIONS ARE EXPECTED THEREAFTER; (C) TOYOTA AND NISSAN AT PRESENT ARE NOT PLANNING LAY-OFFS; AND (D) DEMAND FOR CARS HAS FALLEN DRASTICALLY. NUMBER NEW CARS REGISTERED DECEMBER WERE 23 PERCENT UNDER CORRESPONDING MONTH PREVIOUS YEAR. BOTH NISSAN AND TOYOTA SOURCES HAVE CONFIRMED TO EMBASSY THAT REPORT GENERALLY CORRECT. NISSAN ESTIMATED THAT 15 PERCENT CUT IN POWER SUPPLY MAY RESULT IN A 10 PERCENT CUT IN PRODUCTION DURING JANUARY AND FEBRUARY, WHILE TOYOTA, WHOSE JANUARY VACATION PERIOD SHORTER, BELIEVES IT MAY BE FORCED TO MAKE HIGHER PERCENTAGE CUT. BOTH MANUFACTURERS EVEN MORE CONCERNED ABOUT SUPPLY AND LIMITED OFFICIAL USE

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PRICE OF PARTS HOWEVER. ACCORDING TOYOTA, PARTS MAKERS ARE DEMANDING PRICE INCREASES OF 20 TO 30 PERCENT, AND SHORTAGES EXIST ALMOST ACROSS-THE-BOARD (RUBBER, PLASTICS, METAL). RESULTING PRICE RISE FOR AUTOS IS AFFECTING BOTH EXPORT AND DOMESTIC SALES BADLY. ALTHOUGH COMPANY ADMITTED RECENT "DEVALUATION" OF YEN FAVORED EXPORTING, THEY BELIEVE AMOUNT INSUFFICIENT TO OFFSET RISING COSTS IN JAPAN. JANUARY 14 NEWSPAPERS IN FACT ANNOUNCED AVERAGE INCREASE IN PRICES FOR

NISSAN CARS OF 10 PERCENT WHICH COMES ONLY TWO MONTHS AFTER
NOVEMBER 15 ANNOUNCEMENT OF 7 PERCENT PRICE INCREASE. OTHER
CAR PRODUCERS ARE EXPECTED TO FOLLOW.
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